

LOUISIANA ENERGY AND POWER AUTHORITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2011 AND 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **APR 25 2012**

LOUISIANA ENERGY AND POWER AUTHORITY

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-13
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets	14
Statements of Revenues, Expenses and Changes in Fund Net Assets	15
Statements of Cash Flows	16-17
Notes to Financial Statements	18-30
SUPPORTING SCHEDULES	
Schedule of Receipts and Disbursements	31
Combining Schedule of Net Assets	32
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	33
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	
34-35	
Schedule of Findings and Questioned Costs	36
Summary Schedule of Prior Year Findings	37
Management's Corrective Action Plan	38

WRIGHT, MOORE, DEHART, DUPUIS & HUTCHINSON, L.L.C.

Certified Public Accountants
100 Petroleum Drive, 70508
P.O. Box 80569 • Lafayette, Louisiana 70598-0569
(337) 232-3637 • Fax (337) 235-8557
www.wmddh.com

JOHN W. WRIGHT, CPA *
JAMES H. DUPUIS, CPA, CFP *
JAN H. COWEN, CPA *
LANCE E. CRAPELL, CPA *
MICAH R. VIDRINE, CPA *
TRAVIS M. BRINSKO, CPA *
RICK L. STUTES, CPA, CVA/ABV, APA *
CHRISTINE R. DUNN, CPA **
DAMIAN H. SPIESS, CPA, CFP **

* A PROFESSIONAL CORPORATION
** A LIMITED LIABILITY COMPANY

M. TROY MOORE, CPA **
MICHAEL G. DEHART, CPA, CVA, MBA **
JOE D. HUTCHINSON, CPA **

* RETIRED



STEPHANIE A. BLANK, CPA
ROBERT T. BUCHARME, II, CPA
JUDITH FAULK, CPA
MARY PATRICIA KEELEY, CPA
ROBIN T. LEBLANC, CPA
JOAN MARTIN, CPA, CVA, CFP, DABFA
TANYA L. MIGUES, CPA
WENDY ORTEGO, CPA
ROBIN G. STOCKTON, CPA
BRIDGET B. TILLEY, CPA, MT
TINA B. VIATOR, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Louisiana Energy and Power Authority
Lafayette, Louisiana

We have audited the accompanying financial statements of the Louisiana Energy and Power Authority, as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Louisiana Energy and Power Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Louisiana Energy and Power Authority, as of December 31, 2011 and 2010, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2012, on our consideration of the Louisiana Energy and Power Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we have obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Louisiana Energy and Power Authority's financial statements as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wright, Moore, DeHart,
Dupuis & Hutchinson*

WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

March 15, 2012

LOUISIANA ENERGY AND POWER AUTHORITY

Management's Discussion and Analysis

December 31, 2011

The following Management's Discussion and Analysis is intended to serve as an introduction to the December 31, 2011 and 2010 financial statements of the Louisiana Energy and Power Authority (LEPA), a political subdivision of the State of Louisiana. The discussion should be read in conjunction with the Audited Financial Statements and Notes to Financial Statements, which follow:

LEPA's operations consist of two major programs - the 20% ownership of the Rodemacher Unit No. 2 (Project) and the wholesale power sales to member participants (Non-Project). Further information on these programs can be found in the Notes to the Financial Statements.

Basic Financial Statements

The basic financial statements are prepared to provide the reader with a comprehensive overview of LEPA's statement of position and operations. For accounting purposes, LEPA is a political subdivision of the State of Louisiana that is engaged in a business-type activity, principally as a supplier of wholesale electricity to the member participants. As such, LEPA's financial statements are presented as an enterprise type fund, that is, similar to the financial statements of a private sector for-profit entity involved in the same type of business.

The statements of net assets present information on all of LEPA's assets and liabilities. Utility plant includes those assets which are currently in service as well as construction in progress. Restricted assets include cash, cash equivalents, and investments legally restricted by debt covenants. Current assets, other assets and liabilities are reported based on their liquidity.

The statements of revenues, expenses and net assets present both current and prior year revenues and expenses. Operating results are reported separately from non-operating activities.

The statement of cash flows is presented using the direct method. This method outlines the sources and uses of cash as it relates to operating income. Included in the cash flows are classifications for capital related financing activities and investing activities.

Financial Highlights

The increase in net assets at December 31, 2011, as compared to December 31, 2010, results from the net increase for the period of \$1,749,524. This increase is further allocated between project and non-project as net increase for the project of \$916,533 and net increase for non-project of \$832,991.

LEPA is, by design, a zero profit entity. All costs for the Project are passed through to the participants. All Non-Project energy costs are passed through in full to the full requirements members. The demand rate is set each year at a level sufficient, at projected demand volumes, to cover all budgeted Non-Project costs, excluding energy related costs. Any income or loss results from expenditures for capitalized assets and variances between budgeted and actual revenues and expenses.

The change in net assets for the Project was an increase of \$916,533. The following items accounted for this increase:

- Expenditures for capitalized assets at the Rodemacher facility. Project participants are billed for budgeted amounts to cover capital expenditures. The amounts billed are included in revenue with the offsetting expenditures being capitalized rather than expensed. The result is an increase in net assets equal to the amount expended for capital items.

The change in the net assets for Non-Project activities was an increase of \$832,991. The following items accounted for this difference:

- The demand charges revenue was higher than budgeted due to higher volumes.
- Contract costs were included in the 2011 budget for a new energy contract. Since no new contract was entered into in 2011, these costs were not realized.
- Payroll and employee pension and benefits were less than anticipated.
- Engineering and attorney fees were less than anticipated.
- Rodemacher operating and maintenance expenses were lower than budgeted.

While the financial statements reflect an increase in net assets for Non-Project activities for 2011 of \$832,991, LEPA incurred a non-project budget surplus for the year of \$869,961.

The reconciliation of the change in net assets to the budget surplus (deficit) is as follows:

	Project	Non-Project	Total
Increase in net assets	\$ 916,533	\$ 832,991	\$ 1,749,524
Depreciation	6,168,723	119,723	6,288,446
Amortization	2,376,277	-	2,376,277
Debt service	(8,545,000)	-	(8,545,000)
Capital expenditures	(916,533)	(82,753)	(999,286)
Budget surplus (deficit)	\$ -	\$ 869,961	\$ 869,961

At the July 16, 2010 Board meeting, the Board of Directors authorized LEPA management to move forward with the development and construction of a 64 megawatt combined cycle combustion turbine generating resource. At the October 26, 2010 Board meeting, the Board of Directors adopted a resolution ratifying the project development costs agreements between LEPA and the member municipalities participating in the project. The ten members participating in the project are Abbeville, Morgan City, New Roads, Plaquemine, Rayne, St. Martinville, Terrebonne Parish Consolidated Government, Vidalia, Welsh and Jonesville. LEPA's consulting engineer has estimated it will be necessary for LEPA to incur approximately \$1,750,000 for the project's development and pre-engineering design activities over an eighteen to twenty-one month period. These costs are properly included as a capital cost of the project in any subsequent long term financing of LEPA.

Under the agreements, commencing on November 10, 2010 and for eighteen consecutive months thereafter ending on April 10, 2012, LEPA will invoice the member its monthly pro-rata share of the project development costs. To the extent the member participates in the project as evidenced by its execution of a power sales contract to be used in support of a long term debt financing by LEPA, the member's contribution to project development costs may be reimbursed by LEPA upon issuance of a long term debt by LEPA for use in funding the construction of the project by subsequent resolution of the Board.

The project development costs incurred are being capitalized and will be included as capital costs upon completion of the project. The funding collected from the participating members is recorded as a liability to be refunded to the member should the member execute the power sales contract as described above.

FINANCIAL ANALYSIS

Financial Position

Total assets, liabilities and net assets at December 31, 2011 and 2010 are as follows (stated in thousands):

	2011	2010
Current assets	\$ 18,263	\$ 14,883
Restricted assets	19,426	18,827
Deferred charges	916	734
Property, plant and equipment	<u>12,402</u>	<u>17,691</u>
Total assets	<u>\$ 51,007</u>	<u>\$ 52,135</u>
Current liabilities	\$ 11,259	\$ 8,900
Current liabilities payable from restricted assets	9,051	8,818
Non-current liabilities	<u>9,121</u>	<u>14,590</u>
Total liabilities	<u>29,431</u>	<u>32,308</u>
Net assets:		
Invested capital net of related debt	(2,726)	(3,889)
Restricted assets for debt service	13,664	13,436
Unrestricted net assets	<u>10,638</u>	<u>10,280</u>
Total net assets	<u>21,576</u>	<u>19,827</u>
Total liabilities and net assets	<u>\$ 51,007</u>	<u>\$ 52,135</u>

The components of current assets for 2011 and 2010 are as follows (stated in thousands):

	2011	2010
Cash	\$ 9,356	\$ 7,790
Accounts receivable		
Project	(4)	(2,671)
Non-project	4,802	5,029
Fuel inventory	3,955	4,579
Accrued interest receivable	6	19
Prepaid assets	<u>148</u>	<u>137</u>
Current assets	<u>\$ 18,263</u>	<u>\$ 14,883</u>

The coal inventory at Rodemacher decreased from 101,312 tons valued at \$4,546,622 at December 31, 2010 to 87,353 tons valued at \$3,914,015 at December 31, 2011. Actual tons burned for the year totaled 471,440, slightly lower than projected burns of 498,000 tons.

The restricted assets were composed of the following (stated in thousands):

	2011	2010
Renewal and replacement fund	\$ 4,621	\$ 4,249
Debt service fund	9,050	8,818
Debt service reserve fund	4,613	4,618
Contingency fund	1,142	1,142
Restricted assets	<u>\$ 19,426</u>	<u>\$ 18,827</u>

The increase in the renewal and replacement fund is a timing difference. The assessment to the participants for capital projects is set each year with the adoption of the Rodemacher budgets. The amount assessed is based upon the capital budget, as provided by CLECO. The amounts billed to the participants are transferred to the renewal and replacement fund as collected. Disbursements from the fund are made on a quarterly basis, as CLECO bills LEPA for the capital costs at the Rodemacher facility. The balance of the renewal and replacement fund increases or decreases based upon the difference between the amount collected and the amount disbursed.

Deferred charges at December 31, 2011 were composed of the following (stated in thousands):

	2011	2010
Unamortized debt expense	\$ 334	\$ 669
Development costs CCT project	582	65
Deferred charges	<u>\$ 916</u>	<u>\$ 734</u>

The decrease in deferred charges results from the annual charge for amortization of debt expense. The debt expense is being amortized over the remaining life of the electric revenue bonds. The cost will be fully amortized on January 1, 2013.

The components of property and equipment are as follows (stated in thousands):

	2011	2010
Electric plant	\$ 87,616	\$ 87,166
Central dispatch facility	2,895	2,906
Non-utility property	1,440	1,425
Land	100	100
Capacitor bank	2,928	-
Construction work in progress:		
Project (Rodemacher)	408	578
Non-project	-	2,890
Accumulated depreciation	(82,985)	(77,374)
Property and equipment	<u>\$ 12,402</u>	<u>\$ 17,691</u>

Construction projects at the Rodemacher facility are transferred to the electric plant account when CLECO informs LEPA that a project work order is completed and has been closed. Similarly, retirement of an asset occurs when CLECO informs LEPA that an asset is being taken out of service. During 2011, capital projects totaling \$1,086,688 were closed and transferred to electric plant. In addition, during 2011, CLECO informed LEPA that assets costing \$635,983 (LEPA's cost) were being retired from service.

Construction work in progress – project represents costs incurred for the capital projects at the Rodemacher facility. The total of capital costs billed to LEPA during 2011 was \$916,533. The following schedule provides a breakdown of the costs incurred for the major projects during 2011 as well as a breakdown of the projects remaining in construction in progress:

	2011	Total In Progress
Dry sorbent injection pilot test	\$ 225,106	\$ 225,106
Rodemacher Lake low water level project	76,162	-
Bottom ash upgrades	55,208	-
Replace liners on demin trailers	46,613	-
Installation of SNCR boiler	45,229	45,229
Purchase additional new railroad tracks	41,778	41,778
Upgrade station battery and charger	37,735	-
Replace railroad tracks, rails and switches	32,140	-
Pollution control equipment study	28,720	35,260
Install spare bottom ash	27,865	-
Upgrade intelligent sootblowing system	25,803	-
Emission control study	24,830	29,989
Other projects less than \$25,000	249,344	31,702
Total	<u>\$ 916,533</u>	<u>\$ 409,064</u>

CLECO has provided LEPA with an estimated capital budget for the 5 year period from 2012 to 2016. This budget is presented in the table below. As detailed, major capital expenditures will be incurred in 2012, 2013 and 2014 for two major projects, the installation of the SNCR system and the installation of the environmental controls. It should be noted that the amounts reflected in this budget are based upon the best estimate of costs available to CLECO at the time of the budget preparation and are subject to revision as the project dates draw closer.

Estimated capital budgets for 2012 thru 2016 (stated in thousands):

	2012	2013	2014	2015	2016
Install SNCR System	\$ 2,879	\$ -	\$ -	\$ -	\$ -
Environmental controls / treatment	2,348	14,039	10,549	-	-
Replace 637 coal scrapper	283	-	-	-	-
Projects under \$250,000	256	128	128	88	88
Total	<u>\$ 5,766</u>	<u>\$ 14,167</u>	<u>\$ 10,677</u>	<u>\$ 88</u>	<u>\$ 88</u>

Current liabilities consisted of the following (stated in thousands):

	2011	2010
Accounts payable:		
Project	\$ 2,910	\$ 179
Non-project	2,773	2,721
Due to participants:		
Coal pile responsibility	2,096	2,585
Renewal and replacement assessments	3,480	3,415
Current liabilities	<u>\$ 11,259</u>	<u>\$ 8,900</u>

The coal pile responsibility liability represents amounts collected from Project participants to fund the cost of maintaining the coal inventory. LEPA has the responsibility to maintain the base inventory (25,556 tons totaling \$1,204,571) which represents the inventory purchased when LEPA acquired the Rodemacher facility. The Project participants are responsible for funding all inventory levels above the base level. The funds are collected from or refunded to the participants as inventory levels fluctuate each month. The coal inventory levels at Rodemacher decreased from 101,312 tons at December 31, 2010 to 87,353 tons at December 31, 2011.

The balance for renewal and replacement assessments represents the assessments included in the monthly billings to the Project participants for the capital expenditures at the Rodemacher facility. The assessment is calculated each year in preparing the Rodemacher budget based upon the projected capital expenditures for the year, as provided by CLECO. Since the amounts collected exceeded the amounts expended, the liability to the participants increased.

Non-current liabilities consisted of the following (stated in thousands):

	2011	2010
Electric revenue bonds payable	\$ 9,035	\$ 17,580
Unamortized bond premium	238	475
Unamortized loss on refunding	(2,280)	(4,559)
Accrued compensated absences	659	750
Development funding payable	1,469	344
Non-current liabilities	<u>\$ 9,121</u>	<u>\$ 14,590</u>

The reduction in the electric revenue bonds results from the reclassification of the current portion of the bond liability. This amount was \$8,545,000 in 2011. Payments of interest are made on July 1 of each year and payments of interest and principal are made on January 1 of each year. The final payment on the bonds will be made on January 1, 2013. The changes in both the unamortized bond premium and unamortized loss on refunding are due to the annual charge for amortization for each. Both accounts are being amortized over the remaining life of the electric revenue bonds and will be fully amortized on January 1, 2013.

There were no new borrowings during 2011.

Operations

Components of LEPA's operating revenues, operating expenses, and non-operating and investment income (loss) for the years ended December 31, 2011 and 2010 follows (stated in thousands):

	2011	2010
Operating revenues	\$ 84,262	\$ 81,669
Operating expenses:		
Cost of power produced	33,299	32,024
Power purchased	33,552	32,853
Transmission costs	3,674	3,562
General and administrative	2,389	2,455
Depreciation	6,288	5,749
Operating expenses	79,202	76,643
Operating income	5,060	5,026
Investment and other income	76	143
Debt expenses	(773)	(1,238)
Amortization	(2,614)	(2,614)
Change in net assets	\$ 1,749	\$ 1,317

The operating income for 2011 and 2010 shown in the schedule above is comprised of the following components (stated in thousands):

	2011	2010
Rodemacher power sales	\$ 33,644	\$ 30,787
Full requirement power sales	38,237	39,367
Load control power sales	10,568	11,069
Rodemacher replacement power sales	1,236	-
Hydro power sales	370	397
Other power sales	182	24
Other operating income	25	25
Operating revenues	\$ 84,262	\$ 81,669

The volumes of energy delivered during the years of 2011 and 2010 were:

	2011 MWH	2010 MWH
Project participants	601,834	571,103
Full requirement members	633,837	649,127
Terrebonne Parish load control	220,034	224,797
Alexandria rodemacher replacement	29,479	-
Hydropower	8,362	11,896
Other power sales	2,654	484
Energy delivered	1,496,200	1,457,407

The Rodemacher power sales represent the energy delivered from the Rodemacher power station to the three Project participants that are not full requirement members under the Rodemacher Power Sales Contracts. The remaining two Project participants have assigned their Rodemacher entitlements to the full requirements pool under the current Agreement for the Purchase of Rodemacher Unit No. 2 Project Capability.

The breakdown of the components of the Rodemacher revenue follow (stated in thousands):

	2011		2010	
	Revenue	Cost per MWH	Revenue	Cost per MWH
Energy related costs	\$ 20,010	33.25	\$ 17,781	31.13
Power related costs	5,562	9.25	5,374	9.41
Debt service costs	7,392	12.25	7,392	12.94
Renewal and replacement costs	709	1.18	294	0.52
Interest earnings	(29)	(0.05)	(54)	(0.09)
Rodemacher power sales	<u>\$ 33,644</u>	<u>55.90</u>	<u>\$ 30,787</u>	<u>53.91</u>

The amounts billed to the Project participants for energy delivered from the Rodemacher facility are a direct pass through of costs incurred. The total cost increased from \$53.91 per MWH to \$55.90 per MWH, as detailed in the schedule above.

The full requirement revenues represent energy delivered to the seven full requirement members under the Full Requirements Service Agreements currently in place. The components of the full requirement revenue are as follows (stated in thousands):

	2011		2010	
	Revenue	Cost per MWH	Revenue	Cost per MWH
Energy charges	\$ 27,360	43.17	\$ 28,475	43.87
Demand charges	10,877	17.16	10,892	16.78
Full requirement power sales	<u>\$ 38,237</u>	<u>60.33</u>	<u>\$ 39,367</u>	<u>60.65</u>

The decrease in the full requirements revenue was caused by changes in the following factors (stated in thousands):

Energy price	\$ (444)
Energy volume	(671)
Demand price	-
Demand volume	(15)
Net Decrease	<u>\$ (1,130)</u>

The energy charge is a direct pass through of energy costs. The energy cost factor (ECF), which is the measurement of the cost of energy delivered to the full requirement members, is calculated on a monthly basis based upon the actual energy costs incurred for LEPA generation and purchases. The average ECF for the year decreased from \$43.87 per MWH in 2010 to \$43.17 per MWH in 2011. The volume of energy delivered remained fairly stable, decreasing by 15,290 MWH, or 2.5%.

The demand rate is set at a level sufficient, at projected demand levels, to cover all budgeted non-project costs, excluding energy costs. The rate is set annually with the adoption of the full requirements budget. The demand rate was set at \$7.53 per KW for both 2011 and 2010. The demand volume also remained stable, decreasing by 2,007 KW, or 0.14%.

The load control power sales represent delivery of energy to the Terrebonne Parish Consolidated Government under the current load control services agreement. The average price per MWH for energy delivered to Terrebonne Parish under this agreement decreased from \$49.23 per MWH in 2010 to \$48.03 per MWH in 2011. The volume of energy delivered decreased by 2.1%, from 224,797 MWH in 2010 to 220,034 MWH in 2011.

Energy for 2011 and 2010 was received from the following sources:

	<u>2011</u> MWH	<u>2010</u> MWH
Generation:		
Rodemacher power station	758,784	734,210
Other LEPA operated plants	18,110	32,539
Purchases	<u>733,903</u>	<u>709,755</u>
Energy received	<u>1,510,797</u>	<u>1,476,504</u>

Rodemacher generation increased by 24,574 MWH from 2010 to 2011, or 3.4%. The equivalent availability factor of the unit increased from 85.07% in 2010 to 89.73% in 2011. Of the total Rodemacher generation of 758,784 MWH, 601,834 MWH were delivered to the three project participants and the remaining 156,950 MWH were delivered to the full requirements pool.

The breakdown of the components of the cost of power produced is as follows (stated in thousands):

	<u>2011</u>	<u>2010</u>
Rodemacher power station:		
Variable costs	\$ 25,222	\$ 22,867
Fixed costs	3,635	3,407
Other LEPA operated plants:		
Variable costs	1,510	2,573
Fixed costs	<u>2,932</u>	<u>3,177</u>
Cost of power produced	<u>\$ 33,299</u>	<u>\$ 32,024</u>

The Rodemacher variable costs consist of the cost of coal consumed, cost of natural gas and reagents consumed and the CLECO management fee, as per Section 38 of the Joint Ownership Agreement. The cost of coal includes the purchase price of the coal as well as the transportation and handling costs. The energy costs increased from \$31.14 per MWH in 2010 to \$33.24 per MWH in 2011. The increase was driven primarily by the increase in the contracted price of coal, from \$12.00 per ton in 2010 to \$13.25 per ton in 2011. The average delivered price of coal increased from \$46.49 per ton in 2010 to \$49.68 per ton in 2011.

The variable costs for the other LEPA operated plants, which consists primarily of fuel, decreased as a result of the decrease in generation in 2011. The average cost of fuel increased from \$79.06 per MWH in 2010 to \$83.38 per MWH in 2011. Fixed costs increased due to major maintenance projects related to the boiler and generator at the Morgan City plant.

The volume of energy purchased during 2011 increased by 24,147 MWH over the 2010 volumes. The average price per MWH for energy purchased decreased from \$45.21 per MWH in 2010 to \$44.69 per MWH in 2011 accounting for the increase in the cost of energy purchased.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of LEPA's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Louisiana Energy and Power Authority, 210 Venture Way, Lafayette, Louisiana 70507-5319.

LOUISIANA ENERGY AND POWER AUTHORITY

**STATEMENTS OF NET ASSETS
DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 9,356,210	\$ 7,790,470
Accounts Receivable	4,797,593	2,358,098
Fuel Inventory	3,955,020	4,578,599
Accrued Interest Receivable	5,925	18,855
Prepaid Expenses	<u>148,078</u>	<u>136,694</u>
Total Current Assets	<u>18,262,826</u>	<u>14,882,716</u>
NON-CURRENT ASSETS		
RESTRICTED ASSETS		
Cash		
Renewal and Replacement	4,620,521	2,546,011
Contingency	1,142,000	1,142,000
Debt Service	9,050,425	8,817,725
Debt Service Reserve	126,000	106,060
Investments		
Renewal and Replacement	-	1,702,670
Debt Service Reserve	<u>4,487,223</u>	<u>4,512,441</u>
Total Restricted Assets	<u>19,426,169</u>	<u>18,826,907</u>
DEFERRED CHARGES		
Unamortized Debt Expense	334,316	668,631
Development Costs CCT Project	<u>581,729</u>	<u>65,104</u>
Total Deferred Charges	<u>916,045</u>	<u>733,735</u>
PROPERTY, PLANT AND EQUIPMENT		
Utility Plant	88,024,318	87,743,768
Central Dispatch Facility	2,995,054	3,005,708
Capacitor Bank	2,927,727	2,890,313
Non-utility Property	<u>1,439,413</u>	<u>1,425,004</u>
Total	95,386,512	95,064,793
Less: Accumulated Depreciation	<u>(82,984,697)</u>	<u>(77,373,816)</u>
Net Property, Plant and Equipment	<u>12,401,815</u>	<u>17,690,977</u>
Total Non-Current Assets	<u>32,744,029</u>	<u>37,251,619</u>
TOTAL ASSETS	<u>\$ 51,006,855</u>	<u>\$ 52,134,335</u>

The Accompanying Notes are an Integral Part of These Statements.

LOUISIANA ENERGY AND POWER AUTHORITY

**STATEMENTS OF NET ASSETS
DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
LIABILITIES AND FUND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 5,683,381	\$ 2,899,673
Due to Other Governments	<u>5,575,730</u>	<u>6,000,543</u>
Total Current Liabilities	<u>11,259,111</u>	<u>8,900,216</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accrued Interest Payable	503,425	737,725
Current Portion of Revenue Bonds Payable	<u>8,545,000</u>	<u>8,080,000</u>
Total Current Liabilities Payable From Restricted Assets	<u>9,050,425</u>	<u>8,817,725</u>
NON-CURRENT LIABILITIES		
Revenue Bonds Payable	9,035,000	17,580,000
Less: Unamortized Premium	237,665	475,331
Less: Unamortized Loss on Reaquired Debt	(2,279,627)	(4,559,253)
Accrued Compensated Absenses	659,063	749,252
Development Funding Payable	<u>1,468,843</u>	<u>344,213</u>
Total Non-Current Liabilities	<u>9,120,944</u>	<u>14,589,543</u>
TOTAL LIABILITIES	<u>\$ 29,430,480</u>	<u>\$ 32,307,484</u>
FUND NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ (2,725,603)	\$ (3,954,195)
Restricted for Debt Service	13,663,648	13,436,226
Unrestricted	<u>10,638,330</u>	<u>10,344,820</u>
TOTAL FUND NET ASSETS	<u>\$ 21,576,375</u>	<u>\$ 19,826,851</u>

The Accompanying Notes are an Integral Part of These Statements.

LOUISIANA ENERGY AND POWER AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Power Sales	\$ 84,262,422	\$ 81,669,234
OPERATING EXPENSES		
Cost of Power Produced	33,299,145	32,023,969
Power Purchased	33,551,529	32,853,233
Transmission Costs	3,674,099	3,561,614
General and Administrative	2,388,707	2,454,749
Depreciation	<u>6,288,446</u>	<u>5,749,665</u>
Total Operating Expenses	<u>79,201,926</u>	<u>76,643,230</u>
Operating Income	<u>5,060,496</u>	<u>5,026,004</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	39,615	71,602
Interest Expense	(773,185)	(1,237,785)
Amortization of Debt Expense	(334,316)	(334,316)
Amortization of Loss on Reacquired Debt	(2,279,627)	(2,279,627)
Gain on Disposition of Allowance	157	2,093
Other	<u>36,384</u>	<u>69,515</u>
Total Non-Operating Revenues (Expenses)	<u>(3,310,972)</u>	<u>(3,708,518)</u>
CHANGE IN FUND NET ASSETS	1,749,524	1,317,486
FUND NET ASSETS, BEGINNING OF YEAR	<u>19,826,851</u>	<u>18,509,365</u>
FUND NET ASSETS, END OF YEAR	<u>\$ 21,576,375</u>	<u>\$ 19,826,851</u>

The Accompanying Notes are an Integral Part of These Statements.

LOUISIANA ENERGY AND POWER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received From Customers	\$ 83,285,242	\$ 83,385,275
Received from Other Sources	36,384	69,515
Payments for Power Produced	(32,047,500)	(31,877,730)
Payments for Power Purchased	(33,690,034)	(32,883,908)
Payments for Transmission Costs	(3,659,843)	(3,615,478)
Payments for General and Administrative expenses	<u>(2,449,430)</u>	<u>(2,435,652)</u>
Net Cash Provided By Operating Activities	<u>11,474,819</u>	<u>12,642,022</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Development Fund Assessments	1,124,144	232,894
Proceeds from Disposal of Fixed Assets	-	89,968
Principal Payments	(8,080,000)	(7,660,000)
Interest Paid	(1,243,150)	(1,686,100)
Research and Development Costs	(456,043)	(59,759)
Purchase and Construction of Fixed Assets	<u>(706,292)</u>	<u>(727,619)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(9,361,341)</u>	<u>(9,810,616)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments-Net	1,705,219	1,200,879
Proceeds from Sale of Allowances	157	2,093
Interest Received	<u>74,036</u>	<u>61,233</u>
Net Cash Provided By (Used In) Investing Activities	<u>1,779,412</u>	<u>1,264,205</u>
NET INCREASE IN CASH	3,892,890	4,095,611
Cash-Beginning of Year	<u>20,402,266</u>	<u>16,306,655</u>
Cash-End of Year	<u>\$ 24,295,156</u>	<u>\$ 20,402,266</u>

The Accompanying Notes are an Integral Part of These Statements.

LOUISIANA ENERGY AND POWER AUTHORITY

**STATEMENTS OF CASH FLOWS - continued
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating Income	\$ 5,060,496	\$ 5,026,004
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	6,288,446	5,749,665
Other Revenue	36,384	69,515
Changes in Assets and Liabilities:		
Accounts Receivable	(2,437,832)	1,967,728
Fuel Inventory	623,578	1,703,982
Prepaid Expenses	(11,384)	3,784
Accounts Payable	2,430,134	(1,061,114)
Due to Other Governments	(424,813)	(849,118)
Accrued Compensated Absences	(90,190)	31,576
Net Cash Provided By Operating Activities	<u>\$ 11,474,819</u>	<u>\$ 12,642,022</u>

The Accompanying Notes are an Integral Part of These Statements.

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity - The Louisiana Energy and Power Authority (the Authority) was created as a political subdivision of the State of Louisiana in 1979 pursuant to Title 33 of the Louisiana Revised Statutes of 1950. Eighteen Louisiana municipalities currently are members of the Authority and are joined together in order to provide a reliable and economic supply of electric power and energy to member municipalities.

The Authority owns a 20% undivided interest, under the Joint Ownership Agreement, of a 530 MW coal-fired steam electric generating plant, the Rodemacher Unit No. 2 (the Unit). The Unit was constructed by CLECO Utility Group, Inc. (CLECO) and Lafayette Public Power Authority (LPPA) near Boyce, Louisiana adjacent to CLECO's Rodemacher Unit No. 1. CLECO and LPPA have ownership interests of 30% and 50%, respectively. The Authority's 20% undivided ownership interest in the Unit and its rights and interests under the Joint Ownership Agreement are referred to as the Project. The Joint Ownership Agreement dated November 15, 1982 shall remain in effect so long as the Project is useful for the generation of electricity or for a period of 35 years, whichever is less.

Basis of Accounting - Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The accounts of the Authority are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and are in conformity with generally accepted accounting principles (GAAP). Such accounting and reporting policies also conform to the requirements of Louisiana Revised Statute 24:517 and to the guidelines set forth in the Louisiana Governmental Audit Guide. In certain instances, FERC regulations differed from generally accepted accounting principles. In those situations, the Authority followed the FERC guidance, as directed by law. However, amounts reported, according to FERC regulations, did not differ materially from GAAP.

The Authority maintains its books and records on the full accrual basis of accounting and on the flow of economic resources measurement focus. The Authority applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Equity Classifications - In the financial statements, equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Funds, Special Deposits and Investments -Funds and special deposits consist of cash, overnight repurchase agreements, and obligations guaranteed by federal agencies. Pursuant to GASB Statement No. 31, *Accounting for Financial Reporting for Certain Investments and for External Investment Pools*, the Authority values its investments in debt securities at fair value. Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Governmental entities should report debt securities at fair value on the balance sheet. This statement also provides for the valuation of and the Authority carries money market investment such as short-term, highly liquid debt instruments, including U.S. Treasury and agency obligations at amortized cost.

Accounts Receivable -Significant receivables consist of amounts due from other governments under various agreements for the supply of energy. The statements contain no provision for uncollectible accounts. The Authority's management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Property and Equipment -Capital assets are stated at cost. Depreciation of utility plant and central dispatch facility are based upon the principal repayments of long-term debt (the sum of the bonds outstanding method), the proceeds of which were used to acquire the Rodemacher Unit No. 2. This method correlates with the rate setting policies prescribed by the Bond Resolution of the 1982 Series Power Project Revenue Bonds and the 1985, 1991, and 2000 Series Power Project Refunding Revenue Bonds in that debt service requirements, as opposed to depreciation or amortization, are considered a cost for the purpose of rate making. Depreciation of non-utility property is computed using the straight-line method over the estimated useful lives of the assets.

	<u>Years</u>
Vehicles	5
Buildings (non-utility)	10-35
Office Furniture and Equipment	1-10

Expenses incurred in making repairs and minor replacements and in maintaining the utility plant and central dispatch facility in efficient operating condition are charged to expense.

Investments - Investments are limited by R.S. 33:2955 and the Authority's investment policy. Under State law, the Authority may invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in the State of Louisiana. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments meeting the criteria specified in the Statement are stated at fair value, which is either a quoted market price or the best estimate available. Investments which do not meet the requirements are stated at cost. These investments include overnight repurchase agreements. U.S. Treasury and agency obligations that have a remaining maturity at time of purchase of one year or less are shown at amortized cost.

Inventory - Fuel Inventory is stated at the lower of cost or market as determined by the last-in, first-out method. Coal inventory amounted to \$3,914,015 representing 87,353 tons at December 31, 2011 and \$4,546,622 representing 101,312 tons at December 31, 2010.

The diesel inventory is stated at the lower of cost or market as determined by the last-in, first-out method and amounted to \$41,005 and \$31,977 at December 31, 2011 and 2010, respectively.

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Unamortized Debt Expense - Debt expense incurred at bond issuance is capitalized and amortized over the life of the new bonds issued.

Unamortized Loss on Reacquired Debt - Losses incurred upon refunding of debt are treated as deferred charges and amortized over the life of the new bonds issued.

Electric Revenue Bonds - Bonds outstanding are stated at face value. The unamortized premium and unamortized loss on reacquired debt are reported separately on the face of the financial statements. The premium is being amortized over the life of the bonds issued.

Rate Setting - The Authority has entered into Rodemacher Power Sales Contracts with five of its member cities. These five members are referred to as Participants. The Authority bills each Participant monthly for its share of the electric power generated by the Rodemacher Unit No. 2 (the Project) (see notes D and G) and for certain items stipulated in the Bond Resolution which governs the bonds issued in 1982 to purchase the Authority's 20% interest in the Unit. To the extent billings related to the Project vary from actual expenses incurred by the Authority, the amounts billed to the Participants are adjusted.

The Authority has entered into Full Requirements Power Sales Contracts (the Full Requirements Approach) with two participants and five other members (the Full Requirements Members). These contracts renew for succeeding one year periods until terminated by either party by written notice 24 months prior to termination. The contracts also currently have a ten month opt-out provision. The Authority bills the Participants in the manner described above; however, the Authority buys the power back at actual cost to be distributed under the Full Requirements Approach. Rate setting for the Full Requirements Members is budgeted in advance and ratified by the Board of Directors. Rates are comprised of two basic components: (1) Energy Rate - which includes variable fuel costs and is billed on a KWH consumption basis and (2) Demand Rate - which includes all fixed costs and is billed on monthly peak KW basis.

Rates set by the Board of Directors are designed to recover all of the costs of the Authority and by contract are binding on its members. Therefore, the Authority meets the criteria and, accordingly, follows the reporting and accounting requirements of Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation* (FASB ASC 980-10-15). The depreciation method, as described in Note A, has been established by the Board of Directors and depreciation expense is a component of cost under the FASB ASC 980-10-15.

Cash Flows - For purposes of the statements of cash flows, the Authority considers cash in banks and short-term investments with an original maturity of ninety days or less as cash and cash equivalents. These deposits are recorded at cost, which approximates fair value. Under state law, the Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accumulated Compensated Absences - Allowable annual vacation and sick leave is prescribed by policy of the Authority, based on length of continuous employment by the Authority, accrued on an employment anniversary basis, and accrued to specified maximums.

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Authority's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded as long-term liabilities in the financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

(B) CASH, SPECIAL DEPOSITS AND INVESTMENTS

The bond resolution for the 2000 Series Bonds provides for the creation and maintenance of certain funds and accounts relative to the operations of the Project. Management of the Authority believes they are in compliance with the requirements of the bond resolution. The Authority also maintains other accounts for its Full Requirements Approach operations (see note G).

Cash and special deposits and investments include bank balances and investments that at the balance sheet date were entirely insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Cash balances are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The Authority has no custodial credit risk associated with these deposits.

Cash and cash equivalents included in the Cash Flow Statement as of December 31, 2011 and 2010 are as follows:

	2011	2010
Cash -		
Restricted	\$ 14,938,946	\$ 12,611,796
Other	9,356,210	7,790,470
Cash and cash equivalents	<u>\$ 24,295,156</u>	<u>\$ 20,402,266</u>

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

(B) CASH, SPECIAL DEPOSITS AND INVESTMENTS - continued

Funds and accounts at December 31 are as follows:

	<u>2011</u>	<u>2010</u>
Project:		
Restricted - debt service fund, debt service accounts	\$ 9,050,425	\$ 8,817,725
Debt service fund, debt service reserve account	126,000	106,060
Reserve and contingency fund:		
Renewal and replacement account	4,620,521	2,546,011
Contingency account	<u>1,142,000</u>	<u>1,142,000</u>
Total project restricted cash	<u>14,938,946</u>	<u>12,611,796</u>
Current assets:		
Operations and maintenance trust	2,957,617	2,141,706
Revenue fund	55,959	2,653
General revenue fund, project account	<u>1,537,285</u>	<u>2,921,721</u>
Total project current assets	<u>4,550,861</u>	<u>5,066,080</u>
Total project funds and accounts	<u>19,489,807</u>	<u>17,677,876</u>
Other funds and accounts at December 31:		
Current assets:		
Other revenue fund	3,912,790	2,605,282
Contract operations account	120,860	119,108
CCT project development fund	<u>771,699</u>	<u>-</u>
Total other funds and accounts	<u>4,805,349</u>	<u>2,724,390</u>
Total project and other funds and accounts	<u>\$ 24,295,156</u>	<u>\$ 20,402,266</u>

The 2000 Series Bond resolution authorizes the Authority to invest in direct obligations of the United States Government.

The Authority follows the provisions of GASB Statement 31, *Accounting for Financial Reporting for Certain Investments and for External Investment Pools*. GASB 31 requires investments to be reported at fair value in the balance sheet. The net increase (decrease) in the fair value of investments, including both realized and unrealized gains and losses, is recognized as revenue in the Statement of Revenues, Expenses, and Net Assets. The change in the net fair value of investments was an increase of \$-0- and \$-0- for the years ended December 31, 2011 and 2010, respectively.

The following table represents the fair value of investments by type at December 31, 2011 and 2010 as well as the maturities of these investments. All investments are insured, registered or securities held by the Authority or its agent in the Authority's name. These investments all have maturity dates of one year or less.

	<u>Fair Value</u>	
	<u>2011</u>	<u>2010</u>
Restricted debt service reserve:		
U.S. Treasury Bill	<u>\$ 4,487,223</u>	<u>\$ 4,512,441</u>
Restricted renewal and replacement:		
U.S. Treasury Bill	<u>\$ -</u>	<u>\$ 1,702,670</u>
	<u>\$ -</u>	<u>\$ 1,702,670</u>

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

(B) CASH, SPECIAL DEPOSITS AND INVESTMENTS - continued

During the years ended December 31, 2011 and 2010, the Authority realized no gain or loss from the sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The change in the net fair value of investments was an increase of \$-0- and \$-0- for the years ended December 31, 2011 and 2010, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain (loss) on investments held at December 31, 2011 and 2010 was \$ -0- and -0-, respectively.

Interest Rate Risk: As a means of limiting its exposure to fair-value losses arising from rising interest rates, the Authority's investment policy limits the investment portfolio to "money market instruments", which are defined as very creditworthy, highly liquid investments with maturities of one year or less. Although there may be certain circumstances in which longer-term securities are utilized, the general use of long-term securities shall be avoided.

Credit Risk/ Concentration of Credit Risk: Because all investments of the Authority are either obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government, or mutual funds, there is no credit risk or concentration of credit risk.

(C) FLOW OF FUNDS: RESTRICTIONS ON USE

Under the terms of the resolution providing for the issuance of electric revenue bonds of the Authority to finance the acquisition of an ownership interest in a fossil fuel steam electric generating plant and for other purposes relating thereto, the bonds are special obligations of the Authority payable solely from and secured by the revenues and other funds including bond proceeds. Such revenues consist of all income, fees, charges, receipts, profits, and other money derived by the Authority from its ownership and operation of the fossil fuel steam electric generating plant, other than certain money derived during the period of construction. Money in the revenue fund shall be first applied to the payment of operating expenses of the plant, exclusive of depreciation and amortization.

Money in the revenue fund shall then be deposited into the debt service fund to pay principal, and interest on all bonds as they become due and payable and then applied to maintain in the debt service fund reserve account an amount equal to the maximum Adjusted Aggregate Debt Service requirement on all bonds (initially funded from bond proceeds). After making the required payments into the operating account and debt service fund, there shall be paid out of the revenue fund into the reserve and contingency fund an amount equal to the budgeted amount for the renewal and replacement account, and ten percent (10%) of the Aggregate Debt Service into the contingency account. After funding the reserve and contingency fund, amounts from the revenue fund shall be deposited into the subordinated indebtedness fund in amounts required to pay principal or sinking fund installments and interest on each issue of subordinated indebtedness and reserves thereon. Amounts from the revenue fund will next be deposited into the general reserve fund in amounts equal to the budgeted amount for the development account, limited to two percent (2%) of the Aggregate Debt Service. Finally, any remaining funds from the revenue fund are to be transferred into the project account.

As of December 31, 2011, all accounts requiring minimum balances were in compliance with the bond resolution.

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

(D) PROPERTY AND EQUIPMENT

The following is a summary of changes in property and equipment:

	Beginning Balance 12/31/2010	Additions	Deletions	Ending Balance 12/31/2011
Electric Plant	\$ 87,165,549	\$ 1,086,688	\$ (635,983)	\$ 87,616,254
Central Dispatch Facility	2,905,780	-	(10,654)	2,895,126
Non-Utility Property	1,425,004	45,337	(30,928)	1,439,413
Capacitor Bank	-	2,927,727	-	2,927,727
	91,496,333	4,059,752	(677,565)	94,878,520
Less: Accumulated Depreciation	(77,373,816)	(6,288,446)	677,565	(82,984,697)
Net Property and Equipment	<u>\$ 14,122,517</u>	<u>\$ (2,228,694)</u>	<u>\$ -</u>	<u>\$ 11,893,823</u>
Land	<u>\$ 99,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,928</u>
Construction Work in Progress:				
Electric Plant	\$ 578,219	\$ 916,533	\$ (1,086,688)	\$ 408,064
Capacitor Bank	2,890,313	37,414	(2,927,727)	-
	<u>\$ 3,468,532</u>	<u>\$ 953,947</u>	<u>\$ (4,014,415)</u>	<u>\$ 408,064</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$6,288,446 and \$5,749,665, respectively.

The Authority's acquisition cost of its interest in the Unit includes costs of certain facilities common to the Unit and CLECO's Unit No. 1 (common facilities).

Participants in the Rodemacher Unit No. 2 are liable for decommissioning costs upon termination of the Project. The Authority has no liability accrued for decommissioning costs at December 31, 2011.

(E) ELECTRIC REVENUE BONDS

The following is a summary of the electric revenue bonds transactions for the year ended December 31, 2011:

	Balance 1/1/2011	Additions	Reductions	Balance 12/31/2011	Due Within One Year
Serial Bond-2000	<u>\$25,660,000</u>	<u>\$ -</u>	<u>\$ 8,080,000</u>	<u>\$17,580,000</u>	<u>\$ 8,545,000</u>

The Authority issues bonds where it pledges project power revenues, after payment of operating expenses, as well as assets of the Authority, as established by ordinance. Revenue bonds outstanding at December 31, 2011 and 2010 are as follows:

<u>Purpose</u>	<u>Issue Date</u>	<u>2011</u>	<u>2010</u>
Electric Revenue Refunding Serial Bonds Series 2000 5.0%-5.75%	11/17/00	<u>\$17,580,000</u>	<u>\$25,660,000</u>
Total Principal Outstanding on Revenue Bonds		17,580,000	25,660,000
Unamortized Bond Premium		237,665	475,331
Unamortized Loss on Refunding		<u>(2,279,627)</u>	<u>(4,559,253)</u>
Net Revenue Bonds Outstanding		<u>\$15,538,038</u>	<u>\$21,576,078</u>

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

(E) ELECTRIC REVENUE BONDS - continued

Revenue bond debt service requirements to maturity are as follows:

<u>Years Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 8,545,000	\$ 765,181	\$ 9,310,181
2013	<u>9,035,000</u>	<u>259,756</u>	<u>9,294,756</u>
	<u>\$17,580,000</u>	<u>\$ 1,024,937</u>	<u>\$18,604,937</u>

In 2000, the Authority issued \$87,325,000 of Power Project Refunding Revenue Bonds (Rodemacher Unit No. 2), 2000 Series (2000 Series Bonds). The Authority is restricted from any future refundings.

The 2000 Series Bonds are payable solely from the revenues of the Authority and the funds pledged in accordance with bond resolutions.

(F) PENSION PLAN

Eligible employees of the Authority participate in the Municipal Employees' Retirement System, which is a cost-sharing, multiple-employer defined benefit public employee retirement system. The plan is controlled and administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description - The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Authority are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, or at any age with at least 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average.

Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy - Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Authority is required to contribute at an actuarially determined rate. The current rate was 16.75% of annual covered payroll. Contributions to the System also include ¼ of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Authority are established and may be amended by state statute.

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

(F) PENSION PLAN - continued

As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Authority's contributions to the System under Plan A for the years ended December 31, 2011, 2010 and 2009 were \$353,305, \$300,851, and \$279,031, respectively, equal to the required contributions for each year.

(G) COMMITMENTS AND CONTINGENCIES

Coal Purchase Commitment

On May 16, 2011, the Authority entered into a contract with a coal supplier. Under the contract, the Authority will purchase from the contracted party its share of coal used in producing power at the Rodemacher Unit No. 2 facility. The purchase contract is for the delivery of 1,350,000 tons of coal in total, for which the Authority has contracted to purchase 450,000 tons over the one-year term of the contract.

The term of the contract and annual quantities to be purchased are as follows:

Calendar <u>Year</u>	Annual <u>Quantity</u>	Committed <u>Cost</u>	Purchase <u>Commitment</u>
2012	<u>450,000</u>	\$14.25	<u>\$ 6,412,500</u>

Transmission Contracts

The Authority has entered into separate transmission agreements with Entergy and CLECO, pursuant to which electric power and energy received by the Authority from the Project are transmitted to the points of delivery of the Participants. The costs of delivery are shared by all Participants on a pro-rata basis. The costs of delivery of electric power and energy received by the Authority from sources other than the Project are included in the demand rate charged to the Full Requirements Members.

Operating Costs

Under the Joint Ownership Agreement, CLECO has the sole responsibility to operate, maintain and dispatch the Unit and related facilities in accordance with prudent utility practices. The Authority, CLECO, and LPPA pay all operation and maintenance costs other than fuel, based upon their respective ownership percentages of the Unit.

Rodemacher Power Sales Contracts

Under the Rodemacher Power Sales Contracts, the Authority sells and the Participants purchase their respective shares (entitlement shares) of the capacity and energy of the Project. These contracts require payments to be made on a take-or-pay basis, whether or not the Project is operable or operating.

Under existing law, the rates charged by the Participants to their customers are not subject to regulation by any federal or state authority. Each Participant is obligated to establish rates and charges sufficient to pay all of its obligations to the Authority. Payments to be made by the participants are payable monthly solely from the revenues of the Participants' utilities systems.

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

(G) COMMITMENTS AND CONTINGENCIES - continued

At December 31, 2011, the Participants' respective shares of the capacity and energy of the Project are as follows:

	<u>Entitlement Share (MW)</u>	<u>Percent Share (%)</u>
City of Alexandria	55.26	52.83
Terrebonne Parish Consolidated Government	22.70	21.70
City of Morgan City	20.72	19.81
City of New Roads	2.96	2.83
City of Jonesville	<u>2.96</u>	<u>2.83</u>
	<u>104.60</u>	<u>100.00</u>

Full Requirements Approach Operations Agreements

The Authority supplies power to the Full Requirements Members under the following contracts:

- As discussed in Note A, the Authority has agreements with two of the Participants, whereby the Authority purchases their entitlements in the Project. These contracts renew for succeeding one year periods until terminated by either party by written notice 24 months prior to termination. These contracts also have a ten month opt out provision. Cancellation of these agreements does not relieve the Participants of their obligations under the Rodemacher Power Sales Contracts discussed above.
- The Authority has Capacity Purchase and Operating Agreements with three of the Full Requirements Members whereby the Authority operates the members' generation facilities and purchases all of the energy produced. These agreements have the same provisions as outlined above.
- The Authority has a Capacity Purchase Agreement with one Full Requirements Member whereby the Authority controls 100% of its dependable capacity and directs power generation quantities to meet its power requirements. This agreement has the same provisions as outlined above.
- The Authority entered into a Load Matching Servicing Agreement with one Participant whereby the Authority administers load-matching services.
- The Authority entered into an agreement with the Southwestern Power Administration (SWPA), whereby the Authority purchases hydroelectric power, which results from fixed power allocations of SWPA's available peaking capacity to certain member cities. The Authority resold hydroelectric power to one member city and retained the balance of the hydroelectric power for use under the Full Requirements Approach. Purchases under this contract for the year ended December 31, 2011 were \$950,733. Sales to one member city for the years ended December 31, 2011 and 2010 were \$370,095 and \$397,397, respectively.

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

(H) RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority, through its agreement with CLECO and various other insurance policies, is insured to reduce the exposure to these risks.

(I) CONCENTRATIONS

During 2011, three customers each accounted for more than ten percent and, in the aggregate, more than fifty percent, of the Authority's power sales. Following are the sales to each of these customers for the year ended December 31, 2011:

City of Alexandria	\$ 24,559,528
Terrebonne Parish Consolidated Government	\$ 20,050,231
City of Morgan City	\$ 11,330,013

(J) OTHER MATTERS

Members of the Board of Directors of the Authority received no compensation from the Authority for services rendered as directors during 2011 and 2010.

At the July 16, 2010 Board meeting, the Board of Directors authorized the Authority to move forward with the development and construction of a 64 megawatt combined cycle combustion turbine generating resource. At the October 26, 2010 Board meeting, the Board of Directors adopted a resolution ratifying the project development costs agreements between the Authority and the member municipalities participating in the project. The ten members participating in the project are Abbeville, Morgan City, New Roads, Plaquemine, Rayne, St. Martinville, Terrebonne Parish Consolidated Government, Vidalia, Welsh and Jonesville. The Authority's consulting engineer has estimated it will be necessary for the Authority to incur approximately \$1,750,000 in expenses for the project's development and pre-engineering design activities over and eighteen to twenty-one month period. These costs are properly included as a capital cost of the project in any subsequent long term financing of the Authority. In order to fund these cost, the project development costs agreements were entered into with the participating members.

Under the agreements, commencing on November 10, 2010 and for eighteen consecutive months thereafter ending on April 10, 2012, the Authority will invoice the member its monthly pro-rata share of the project development costs. To the extent the member participates in the project as evidenced by its execution of a power sales contract to be used in support of a long term debt financing by the Authority, the member's contribution to project development costs may be reimbursed by the Authority upon issuance of long term debt by the Authority for use in funding the construction of the project by subsequent resolution of the Board.

The project development costs incurred are being capitalized and will be included as capital costs upon completion of the project. The funding collected from the member cities is recorded as a liability to be refunded to the member should the member execute the power sales contract as described in the preceding paragraph.

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

(K) ENVIRONMENTAL REGULATIONS

Environmental Regulations

The Authority is subject to federal, state and local laws and regulations governing the protection of the environment. Violations of these laws and regulations may result in substantial fines and penalties. The Authority has obtained the environmental permits necessary for its operation, and management believes the Authority is in compliance in all material respects with these permits, as well as all applicable environmental laws and regulations. Environmental requirements affecting electric power generation facilities are complex, change frequently, and have become more stringent over time as a result of new legislation, administrative actions, and judicial interpretations. Therefore, the capital costs and other expenditures necessary to comply with existing and new environmental requirements are difficult to determine.

The Environmental Protection Agency (EPA) has proposed and adopted rules under the authority of the Clean Air Act (CAA) relevant to the emissions of sulfur dioxide (SO₂) and nitrogen oxide (NO_x) from the Authority's generating units. The CAA established the Acid Rain Program to address the effects of acid rain and imposed restriction on SO₂ emissions from certain generating units. The CAA requires these generating units to possess a regulatory "allowance" for each ton of SO₂ emitted beginning in the year 2000. The EPA allocates a set number of allowances to each affected unit based on its historic emissions. As of December 31, 2011, the Authority had sufficient allowances for 2011 operations and expects to have sufficient allowances for 2012 operations under the Acid Rain Program. The Acid Rain Program also established emission rate limits on NO_x emissions for certain generating units. The Authority is able to achieve compliance with the Acid Rain Program permit limits for NO_x at the Rodemacher Unit.

On July 6, 2011, the EPA finalized a rule titled "Federal Implementation Plans to Reduce Interstate Transport of Fine Particulate Matter and Ozone" known as CSAPR that would require significant reductions in SO₂ and NO_x emissions from electric generating units (EGUs) in 28 states, including Louisiana. Under CSAPR, the EPA would set total emissions limits for each state allowing limited interstate (and unlimited intrastate trading) of emission allowances among power plants to comply with these limits beginning January 1, 2012. Specifically for Louisiana, CSAPR would limit NO_x emissions for the ozone season, consisting of the months of May through September.

On December 30, 2011, in response to numerous petitions by both state and industry participants, the D. C. Circuit Court of Appeals issued an order staying implementation of CSAPR pending resolution of legal challenges to the rule. The Court further ordered that the Clean Air Interstate Rule, a predecessor rule to CSAPR, remain in place while CSAPR is stayed. Oral arguments are scheduled to be heard in April 2012 and the Court could decide the case as early as the summer of 2012. The Authority is considering various options for meeting the NO_x allocation established by CSAPR for the Rodemacher Unit in the event the stay is eventually lifted. These options include the installation of additional emission controls and the implementation of alternate dispatch schedules for generation units.

The EPA also has adopted rules under Section 112 of the CAA governing the emissions of mercury and other hazardous air pollutants from certain EGUs. The EPA established maximum achievable control technology (MACT) standards for coal-fired EGUs in late 2011, and signed a final rule setting forth national emissions standards for hazardous air pollutants from coal- and oil-fired electric utility steam generating units on December 16, 2011. The final rule is now known as MATS. MATS requires affected EGUs to meet specific numeric emission standards and work practice standards to address hazardous air pollutants.

MATS imposes strict emission limits on new and existing coal- and oil-fired EGUs for mercury, acid gases, and non-mercury metallic pollutants. Affected EGUs also have to comply with certain work practice standards to control the emission of organic air toxins. MATS allows existing sources approximately three years to comply with the rule. The actual compliance deadline is April 16, 2015. A one-year compliance extension is available with approval from the relevant permitting authority, which is the Louisiana Department of Environmental Quality in the case of the Rodemacher Unit, if the facility is actively installing control equipment to comply with the rule.

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

(K) ENVIRONMENTAL REGULATIONS - continued

The Authority, in cooperation with joint owners Cleco and LPPA, continues in its evaluation of control technology for Rodemacher Unit 2. Significant capital expenditures could be required beginning in 2012 to engineer, procure and install pollution controls and emissions monitoring equipment to ensure that Rodemacher Unit 2 will be in a position to comply with MATS in a timely manner.

Greenhouse gases (GHG) and their role in climate change have been the focus of recent study and legal action, including proposed federal legislation, final and proposed federal rulemakings, and civil actions. Fossil fuel-fired EGUs emit a significant amount of GHG in the combustion process. Congress has attempted to craft specific legislation that would reduce emissions of GHG by utilities, industrial facilities, and other manufacturing sectors of the economy. While Congressional attempts have not been successful, the possibility exists that federal GHG legislation may be enacted within the next several years.

SUPPORTING SCHEDULES

Fund Balances at December 31, 2010

Fund Balances at December 31, 2011
are comprised of:

- Cash
- Temporary Cash Investments
- US Treasury & Agency Investments

LOUISIANA ENERGY AND POWER AUTHORITY

COMBINING SCHEDULE OF NET ASSETS
DECEMBER 31, 2011

ASSETS	Project Related	Other	Eliminations	Combined
CURRENT ASSETS				
Cash	\$ 4,550,861	\$ 4,805,349	\$ -	\$ 9,356,210
Accounts Receivable	(4,745)	6,080,651	(1,278,313)	4,797,593
Fuel Inventory	3,914,015	41,005	-	3,955,020
Accrued Interest Receivable	5,885	40	-	5,925
Prepaid Expenses	-	148,078	-	148,078
Total Current Assets	<u>8,466,016</u>	<u>11,075,123</u>	<u>(1,278,313)</u>	<u>18,262,826</u>
NON-CURRENT ASSETS				
RESTRICTED ASSETS				
Cash				
Renewal and Replacement	4,620,521	-	-	4,620,521
Contingency	1,142,000	-	-	1,142,000
Debt Service	9,050,425	-	-	9,050,425
Debt Service Reserve	126,000	-	-	126,000
Investments				
Debt Service Reserve	4,487,223	-	-	4,487,223
Total Restricted Assets	<u>19,426,169</u>	<u>-</u>	<u>-</u>	<u>19,426,169</u>
DEFERRED CHARGES				
Unamortized Debt Expense	334,316	-	-	334,316
Development Costs CCT Project	-	581,729	-	581,729
Total Deferred Charges	<u>334,316</u>	<u>581,729</u>	<u>-</u>	<u>916,045</u>
PROPERTY, PLANT AND EQUIPMENT				
Utility Plant	88,024,318	-	-	88,024,318
Central Dispatch Facility	-	2,995,054	-	2,995,054
Capacitor Bank	-	2,927,727	-	2,927,727
Non-utility Property	-	1,439,413	-	1,439,413
Total	<u>88,024,318</u>	<u>7,362,194</u>	<u>-</u>	<u>95,386,512</u>
Less: Accumulated Depreciation	<u>(79,279,305)</u>	<u>(3,705,392)</u>	<u>-</u>	<u>(82,984,697)</u>
Net Property, Plant and Equipment	<u>8,745,013</u>	<u>3,656,802</u>	<u>-</u>	<u>12,401,815</u>
Total Non-Current Assets	<u>28,505,498</u>	<u>4,238,531</u>	<u>-</u>	<u>32,744,029</u>
TOTAL ASSETS	<u>\$ 36,971,514</u>	<u>\$ 15,313,654</u>	<u>\$ (1,278,313)</u>	<u>\$ 51,006,855</u>

LOUISIANA ENERGY AND POWER AUTHORITY

**COMBINING SCHEDULE OF NET ASSETS
DECEMBER 31, 2011**

LIABILITIES AND NET ASSETS	Project Related	Other	Eliminations	Combined
CURRENT LIABILITIES				
Accounts Payable	\$ 4,188,954	\$ 2,772,740	\$ (1,278,313)	\$ 5,683,381
Due to Other Governments	5,575,730	-	-	5,575,730
Total Current Liabilities	<u>9,764,684</u>	<u>2,772,740</u>	<u>(1,278,313)</u>	<u>11,259,111</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accrued Interest Payable	505,425	-	-	505,425
Current Portion of Revenue Bonds Payable	8,545,000	-	-	8,545,000
Total Current Liabilities Payable From Restricted Assets	<u>9,050,425</u>	<u>-</u>	<u>-</u>	<u>9,050,425</u>
NON-CURRENT LIABILITIES				
Revenue Bonds Payable	9,035,000	-	-	9,035,000
Less: Unamortized Premium	237,665	-	-	237,665
Less: Unamortized Loss on Reacquired Debt	(2,279,627)	-	-	(2,279,627)
Accrued Compensated Absences	-	659,063	-	659,063
Development Funding Payable	-	1,468,843	-	1,468,843
Total Non-Current Liabilities	<u>6,993,038</u>	<u>2,127,906</u>	<u>-</u>	<u>9,120,944</u>
TOTAL LIABILITIES	<u>\$ 25,808,147</u>	<u>\$ 4,900,646</u>	<u>\$ (1,278,313)</u>	<u>\$ 29,430,480</u>
FUND NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ (6,964,134)	\$ 4,238,531	\$ -	\$ (2,725,603)
Restricted for Debt Service	13,663,648	-	-	13,663,648
Unrestricted	4,463,853	6,174,477	-	10,638,330
TOTAL FUND NET ASSETS	<u>\$ 11,163,367</u>	<u>\$ 10,413,008</u>	<u>\$ -</u>	<u>\$ 21,576,375</u>

LOUISIANA ENERGY AND POWER AUTHORITY

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Project Related</u>	<u>Other</u>	<u>Eliminations</u>	<u>Combined</u>
OPERATING REVENUES				
Power Sales	\$ 42,846,222	\$ 50,681,044	\$ (9,264,844)	\$ 84,262,422
OPERATING EXPENSES				
Cost of Power Produced	28,919,758	4,441,765	(62,378)	33,299,145
Power Purchased	-	42,753,995	(9,202,466)	33,551,529
Transmission Costs	1,910,160	1,763,939	-	3,674,099
General and Administrative	-	2,388,707	-	2,388,707
Depreciation	6,168,723	119,723	-	6,288,446
Total Operating Expenses	36,998,641	51,468,129	(9,264,844)	79,201,926
Operating Income	5,847,581	(787,085)	-	5,060,496
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	38,009	1,606	-	39,615
Interest Expense	(773,185)	-	-	(773,185)
Amortization of Debt Expense	(334,316)	-	-	(334,316)
Amortization of Loss on Reaquired Debt	(2,279,627)	-	-	(2,279,627)
Gain on Disposition of Allowance	157	-	-	157
Other	(1,582,086)	1,618,470	-	36,384
Total Non-Operating Revenues (Expenses)	(4,931,048)	1,620,076	-	(3,310,972)
CHANGE IN FUND NET ASSETS	916,533	832,991	-	1,749,524
FUND NET ASSETS, BEGINNING OF YEAR	10,246,834	9,580,017	-	19,826,851
FUND NET ASSETS, END OF YEAR	\$ 11,163,367	\$ 10,413,008	\$ -	\$ 21,576,375

WRIGHT, MOORE, DEHART, DUPUIS & HUTCHINSON, L.L.C.

Certified Public Accountants
100 Petroleum Drive, 70508
P.O. Box 80569 • Lafayette, Louisiana 70598-0569
(337) 232-3637 • Fax (337) 235-8557
www.wmddh.com

JOHN W. WRIGHT, CPA *
JAMES H. DUPUIS, CPA, CFP *
JAN H. COWEN, CPA *
LANCE E. CRAPPELL, CPA *
MICAH R. VIBRINE, CPA *
TRAVIS M. BRINSKO, CPA *

RICK L. STUTES, CPA, CVA/ABV, APA *
CHRISTINE R. DUNN, CPA **
DAMIAN H. SPIESS, CPA, CFP **

* A PROFESSIONAL CORPORATION
** A LIMITED LIABILITY COMPANY

M. TROY MOORE, CPA **
MICHAEL G. DEHART, CPA, CVA, MBA **
JOE D. HUTCHINSON, CPA **

+RETIRED

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Louisiana Energy and Power Authority
Lafayette, Louisiana

We have audited the financial statements of the Louisiana Energy and Power Authority as of and for the year ended December 31, 2011, and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Energy and Power Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Energy and Power Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Louisiana Energy and Power Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Energy and Power Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the management and Board of Directors of the Louisiana Energy and Power Authority and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*Wright, Moore, DeHart,
Dupuis & Hutchinson*

WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

March 15, 2012

LOUISIANA ENERGY AND POWER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

We have audited the financial statements of the Louisiana Energy and Power Authority as of and for the year ended December 31, 2011, and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States. Our audit of the financial statements of December 31, 2011 resulted in an unqualified opinion.

Section I – Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Control Deficiency	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Compliance

Compliance Material to Financial Statements	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
---	------------------------------	--

Section II – Financial Statement Findings

There were no current year findings.

Section III – Federal Award Findings and Questioned Costs.

This section is not applicable for the year ended December 31, 2011.

LOUISIANA ENERGY AND POWER AUTHORITY

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011**

There were no prior year findings.

LOUISIANA ENERGY AND POWER AUTHORITY

**MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2011**

No current year findings were noted, therefore, no response is deemed necessary.